



**THE APPROVED ANNUAL BUDGET  
OF  
NDWEDWE LOCAL MUNICIPALITY  
FOR  
2020/2021 TO 2022/2023**

**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)**

**Copies of this document can be viewed:**

- **In the municipal buildings receptions and**
- **At Ndwedwe main library and mobile library at Bhamshela**
  - **At Ndwedwe Thusong centre**
  - **At [www.ndwedwe.gov.za](http://www.ndwedwe.gov.za)**

## **Table of Contents**

### **PART 1 – ANNUAL BUDGET**

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Annual Budget Tables

### **PART 2 – SUPPORTING DOCUMENTATION**

- 2.1 Overview of Annual Budget Process
- 2.2 Overview of Alignment of Annual Budget with IDP
- 2.3 Measurable Performance Objectives and Indicators
- 2.4 Overview of Budget Related Policies
- 2.5 Overview of Budget Assumptions
- 2.6 Overview of Budget Funding
- 2.7 Expenditure On Allocations and Grant Programmes
- 2.8 Allocations and Grants Made by The Municipality
- 2.9 Councillor and Board Member Allowances and Employee Benefits
- 2.10 Monthly Targets for Revenue, Expenditure and Cash Flow
- 2.11 Contracts Having Future Budgetary Implications
- 2.12 Capital Expenditure Details
- 2.13 Legislation Compliance Status
- 2.14 Other Supporting Documents
- 2.15 Municipal Manager's Quality Certification

## **ABBREVIATIONS & ACRONYMS**

AFS	Annual Financial Statements
BSC	Budget Steering Committee
BTO	Budget & Treasury Office (Finance)
CFO	Chief Financial Officer
DORA	Division of Revenue Act
DORB	Division of Revenue Bill
COGTA	Co-operative Governance & Traditional Affairs
EXCO	Executive Committee
FMG	Financial Management Grant
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HIV/AIDS	Human Immune Deficiency Virus / Acquired Immune Deficiency Syndrome
IDP	Integrated Development Plan
IT	Information Technology
NDW	Ndwedwe Municipality
MANCO	Management Committee
MBRR	Municipal Budget and Reporting Regulations
MFMA	Municipal Finance Management Act 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager (Accounting Officer)
MPCCs	Multi-Purpose Community Centres
MPRA	Municipal Property Rates Act 2004 (Act No. 6 of 2004)
MSA	Municipal Systems Act 2000 (Act No. 32 of 2000)
MSIG	Municipal Systems Improvement Grant
MTREF	Medium Term Revenue & Expenditure Forecast
MV	Market Value
NT	National Treasury
PPP	Public-Private Partnerships
PSI	Public Service Infrastructure
PT	Provincial Treasury
HOD	Head of Department
SALGA	South African Local Government Association
SDBIP	Service Delivery & Budget Implementation Plan
VAT	Value-Added Tax

## **PART 1 – ANNUAL BUDGET**

### **1.1 MAYOR’S REPORT**

The Mayor’s report will be presented by the Mayor at Council.

## **1.2 COUNCIL RESOLUTIONS**

The following resolutions approving the 2020/2021 – 2022/2023 MTREF are submitted to Council for consideration and adjusted where necessary:

1. **THAT** in terms of Section 24(1) and (2) of the Municipal Finance Management Act, 56 of 2003: -  
The annual budget of the municipality for the financial year 2020/2021; and indicative allocations for the two projected outer years 2021/2022 and 2022/2023; and the multi – year and single year capital appropriations be approved as set out in budget table A1 to A10
2. **THAT** the Tariff of charges for the 2020/2021 financial year be approved and adopted.
3. **THAT** Council approve the budget related policies with effect from 01 July 2020.
4. **THAT** the following measurable performance indicator for revenue collections be set:  
Property rates income: the minimum collection rate of 80%
5. **THAT** in terms of the priority in the execution of the capital budget, priority should first be given to all projects that have been rolled over of which are primarily grant funded.
6. **THAT** any savings on the capital budget to be retained and not transferred to any other vote to ensure that the municipal financial sustainability is maintained.
7. **THAT** the council note the 2020/2021 Draft Budget high level assessment feedback from the Provincial Treasury as attached under other documents in the final budget document.

## **1.3 EXECUTIVE SUMMARY**

### **1.3.1 Background**

Section 24 (1) of the Municipal Finance Management Act no 56 of 2003 indicates that, the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget. Subsection (2) further states that an annual budget—

- (a) must be approved before the start of the budget year;
- (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
- (c) must be approved together with the adoption of resolutions as may be necessary
  - (i) imposing any municipal tax for the budget year;
  - (ii) setting any municipal tariffs for the budget year;
  - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
  - (iv) approving any changes to the municipality's integrated development plan; and
  - (v) approving any changes to the municipality's budget-related policies.

As such the Council is presented with the proposed Annual Budget for 2020/2021 MTREF in compliance with Section 24 (1) and (2) of the MFMA and Municipal Budget & Reporting Regulations.

### 1.3.2 Discussion

The application of sound financial management principles for the compilation of the municipality's financial plan is vital and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all municipal resident. The municipalities business and service delivery priorities were reviewed as party of this year's planning and budget process where appropriate funds were transferred from low to high priority programmes so as to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by customers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring people lead government.

The COVID 19 has compromised the budget/IDP normal road shows to present the budget according to the budget timetable approved by the council in August 2019. However, the consultation was done via media platforms as guided by COGTA guidelines and this was to ensures compliance with the MFMA and subsequent circulars in the preparation and approval of 2020/2021 budget / IDP. The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Municipal Finance management act No 56 of 2003, circular No. 99, and the MFMA budget formats Guide received from National Treasury.

*The main challenges experienced during the compilation of the 2020/2021 MTREF can be summarized as follows:*

- Slow pace of Town development and proclamation thereof,
- High number of poorly maintained community access roads or non-existent at all.
- Substantial need of community assets e.g. Sports fields and Community Halls.
- The perpetual increase of Eskom electricity supply hence cost of supplying water supply by District Council also increases which subsequently affect the municipal cost for electricity and water.
- The need to increase municipal fleet and replace the current fleet in order to meet minimum service delivery standards.

- Maintain an adequate balance filling of the vacant posts and budget percentage of salaries against overall budget to ensure the municipality is in compliance with the National Treasury Salary bill norm.
- The high prevalent of indigent households within Ndwedwe Local Municipality.
- Inability of the municipality to generate its own revenue base.
- Producing a balanced, credible and funded budget taking into account realistically anticipated revenues under these on-going difficulties in the national and local economy;
- The need to re-prioritise projects and expenditure within the existing resource envelop given the cash flow realities and declining cash position of the municipality;

*The Ndwedwe Municipality's Medium Term Revenue Expenditure Framework complies with all legal requirements which are as follows:*

- The Constitution 1996 (Act No. 108 of 1996),
- The Local Government: Transition Act 1993 (Act No. 209 of 1993),
- The Municipal Systems Act no 32 of 2000 and regulation,
- The Municipal Finance Management Act 56 of 2003 and regulation,
- The Municipal Structures Act 1998 (Act No. 117 of 1998),
- Municipal Budget & Reporting Regulations issued by NT,
- MFMA Circulars published by NT and
- Division of Revenue Act

*The municipality is consistent with the 2019/2020 budget; the 2020/2021 budget focuses on the priorities of Council as outlined in the IDP. There are listed below:*

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development (LED)
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Safe and Secure Environment
- Spatial Analysis
- Environmental Management



*The following budget principles and guidelines directly informed the compilation of the 2020/2021 MTREF:*

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- The fixed operational cost and contracted services expenditure to take presiding in the allocation of available budget.
- This budget is zero based and zero-based budgeting is defined as a process where every department function is reviewed comprehensively and each expenditure must be approved, rather than increased. It requires the budget request to be justified in complete detail by each department rather than just increasing its expenditure from the previous year.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/2021 Medium-term Revenue and Expenditure Framework:

**Table 1: Consolidated Overview of the 2020/2021 MTREF**

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Revenue (excluding capital transfers and contributions)	184 548	184 946	197 898	208 887	220 042
Total Expenditure	184 438	184 879	197 832	205 594	214 658
Surplus/(Deficit)	111	67	66	3 293	5 383
Transfers and subsidies - capital	29 809	29 809	29 630	31 938	33 628
Surplus/(Deficit) for the year	29 920	29 876	29 696	35 231	39 011

Total operating revenue is expected to grow by 6.5 per cent or R13, 0 million for the 2020/2021 financial year when is compare to the 2019/2020 Adjusted Budget. For the two outer years, operational revenue will increase by 5.2 and 5 per cent respectively, equating to a total revenue growth of R35, 3million over the MTREF when is compare to the 2019/2020 financial year.

Total operating expenditure for the 2020/2021 financial year is expected to increase by R13, 0 million or 7 per cent when is compare to the 2019/2020 Adjusted Budget. Operational expenditure is expected to increase by R7, 6million and 9, 1million respectively for the two outer years.

The municipality is planning to invest R85, 3million in 2020/2021 financial year toward municipal asset with the majority of it to be directed to road infrastructure and building of the municipal offices in trying to deal with the office space that is faced by the municipality.

**Table 2: Proposed Capital Funding**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<u>Funded by:</u>					
National Government	29 809	29 809	29 630	31 938	33 628
Provincial Government					
District Municipality					
Transfers recognised - capital	29 809	29 809	29 630	31 938	33 628
<u>Borrowing</u>					
Internally generated funds	35 725	33 987	55 692	12 860	15 830
<b>Total Capital Funding</b>	<b>65 534</b>	<b>63 796</b>	<b>85 322</b>	<b>44 798</b>	<b>49 458</b>

The above table illustrates the funding model of the capital project, where the larger portion of it will be funded from internal funding and the rest will be funded by the national grant i.e. MIG.

The council to note that the majority of the internal funding will be directed towards phase two of the municipal building as well as to purchase the plant for the maintenance of the municipal road infrastructure in order to do away from hiring of plant for the maintenance.

### **1.3.4 OPERATING BUDGET**

#### **1.3.4.1 Operating revenue framework**

In order for the municipality to continue with its mandate to provide the quality services to its citizens it must generate the required revenue. Strong revenue management is fundamental to the financial sustainability of every municipality under these tough economic times.

The reality is that some communities within our municipality are still faced with development backlogs and poverty. As a result, the required expenditure to address these challenges will inevitably always exceed the available funding; hence radical choices must be made in relation to tariff increases and balancing expenditure against the realistically anticipated revenue.

*The municipality's revenue is directly informed around the following key components:*

- The projected revenue is determined, inter alia, by setting tariffs which are not only affordable to the consumers, but also deemed to be fair and realistic.
- National Treasury's guidelines and macroeconomic policy;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); and

The following table is a summary of the 2020/2021 MTREF (classified by main revenue source):

**Table 3: Summary of revenue classified by main revenue source**

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>					
Property rates	17 566	17 566	18 989	19 862	20 776
Service charges - refuse revenue	–	–	100	105	109
Rental of facilities and equipment	600	555	605	633	662
Interest earned - external investments	11 000	10 600	11 000	11 506	12 035
Interest earned - outstanding debtors	800	800	800	837	875
Licences and permits	5	2	1	1	1
Transfers and subsidies	153 281	153 281	165 845	175 360	184 972
Other revenue	496	1 342	558	584	611
Gains	800	800			
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>184 548</b>	<b>184 946</b>	<b>197 898</b>	<b>208 887</b>	<b>220 042</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The transfer recognised operational revenue forms a significant percentage of the revenue basket for the municipality. In 2020/2021 financial year, the transfer recognised operational revenue is expected to be amount to R165,8 million. Ndwedwe municipality is the grant dependent municipality, however the municipality is in the process of attracting more investors to come and invest in the municipality which will potentially increase the chances for the municipality to generate its own revenue.

The second largest revenue category for the municipality is property rate followed by the revenue expected from the interest earned on the external investment.

*2020/2021 Operating income budget can be summarised as follows*

***Property rates***

- Property rates revenue for 2020/2021 financial year is expected to increase from R17, 6million to R18, 0million when compared to adjusted budget. This R1, 4million or 8,

% is attributed to 4.5 per cent increase in line with CPI and 3,5 per cent as a result of the changes in the valuation roll market values of the properties.

#### ***Service charges - refuse revenue***

- During 2018/2019 financial year, the municipality introduced the waste removal section as a means of generating more revenue, however at the time the negotiation was on going with the local business to introduce the billing for their refuse removal services hence no revenue was budgeted in previous years to be collected from refuse removal.
- In 2020/2021 there were agreements that have been reached with some business with regards to removing their waste hence the R100 thousand has been provided in this financial year as a revenue to be collected from refuse removal.
- The council to note that since the municipality is just establishing this unit, the municipality will operate at a deficit for some time when compare the revenue to be generated against the expenditure to be incurred in rendering this service, however the HOD concern will work tireless to ensure that in the near future the unit is operating at a surplus.

#### ***Rental of Facilities***

- Rent for municipal facilities is expected to increase by R50 thousands from R 555 thousands in 2019/2020 to R605 thousands in 2020/2021.
- This increase is attributed to the normal CPI increase, new lease agreements to be signed and renewal of existing leases.

#### ***Interest earned – external investments***

- Interest earned on external investments is expected to increase from R10,6million to R11 million for 2020/2021. This projected low increase of 4 per cent in this revenue category is attributed to high capital expenditure anticipated in the new financial year as most of the projects planning has commenced to ensure that as soon as the new year kicks off the implementation is also kicks off.
- The previous year's payments trends have also been looked at in coming up with this budget to ensure that the municipality is anticipating the more realistic budget to ensure the full recognition of the revenue at the end of financial year.

- The council to also note that even though the investments as reference to SA 15 and SA16 anticipated to be low by the end of the financial 2020/2021 due to high internal funding to be used in different capital asset as indicated under Capital Funding Sources above, the timing for spending and the fact that some of the projects will be implemented toward the end of the financial year means there will be more money stayed in the investments portfolio for a longer period which will subsequently generate more interest before the money become due to be utilised hence the estimated interest to be received looks realistic.

#### ***Interest earned - outstanding debtors***

- Interest earned - outstanding debtors will remain at R800 thousands for 2020/2021 financial year and this estimation has been motivated by the following reason:
- The actual revenue bellied as at 30 April 2020 indicates that the municipality will not realise the full budget by the end of the year and the full year focus is anticipated to be R590 thousands.
- The appointment of the service provider to collect the old debts on behalf of the municipality is expected to yield a positive outcome however, the council must note that this will not be an easy process taking into account the legality that the consumers and service provider might embark on hence to keep the budget as the same as 2019/2020 financial year is of important in comparing to the full year focus of R590 000 for 2019/2020 financial year.
- This will ensure that while the process is still unfolding, the provision is enough to take care of the old debts and new increase on debtors as can be seen in A 6 of the budget statements which is as a result of 80% collection rate anticipated by the municipality in 2020/2021 financial year.

#### ***Licences and permits***

- Licences and permits budget will decrease by R1 thousand from 2019/2020 adjusted budget to R1 thousand in 2020/2021 financial year.
- The municipality is still in the process of attracting more investors to come and invest within the municipality as a result to keep the cost of operating within the

municipality as affordable as possible is of important, hence the reduction of the amount to be paid by the business to operate within the municipality is vital in order for the municipality to increase the chances of generating more revenue in future in a form of property rate and refuse removal from the business that might be attracted to come and operate within the municipality.

### ***Transfers and subsidies***

- The 2020/2021 Transfer recognised operational revenue will increase by R12,6 million when compared to 2019/2020 adjusted budget. This increase is as a result of new grant allocations from National and Provincial government as displayed on the new released DORA.
- The full details of the grants to be received by the municipality in 2020/2021 financial year can be viewed under section 2.7 of this document below.

### ***Other revenue***

- Other revenue budget will decrease by R784 thousands in 2020/2021 financial year.
- During the adjustment budget for 2019/2020 financial year the municipality had to increase the budget for insurance refund due to the incident that occurred in the municipality where the insurance refund was expected to be high than the initial budget, however the municipality had to go back to average claim history to come up with the provision for 2020/2021 financial year hence the decrease in this revenue category is anticipated to ensure the full recognition at the end of the financial year.
- It must be noted that the Economic Development and Planning department is in the process of ensuring that the municipality is able to generate its own revenue such as the plan to buy the land that is closer to already developed cities and develop it and other avenues that will ensure that the municipality is able to generate its own revenue and that will be revealed in the near future.

### 1.3.4.2 Operating expenditure framework

The Municipality's expenditure framework for the 2020/2021 MTREF is informed by the following budget principles:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash backed reserves to fund any deficit;
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programs are aligned to addressing the backlogs of municipal infrastructure establishment.
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

**Tabled 4: The following table is an indicative of the anticipated 2020/2021 operating expenditure by standard classification item: -**

<b>KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)</b>					
<b>Description</b>	<b>Current Year 2019/20</b>		<b>2020/21 Medium Term Revenue &amp; Expenditure Framework</b>		
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Budget Year 2020/21</b>	<b>Budget Year +1 2021/22</b>	<b>Budget Year +2 2022/23</b>
<b>R thousand</b>					
<b>Expenditure By Type</b>					
Employee related costs	62 105	58 840	66 202	69 301	72 617
Remuneration of councillors	15 327	15 327	16 247	16 994	17 776
Debt impairment	3 000	3 000	2 500	2 615	2 735
Depreciation & asset impairment	21 000	21 000	22 000	22 880	23 870
Other materials			1 040	1 088	1 138
Contracted services	41 658	42 191	47 744	52 001	53 932
Transfers and subsidies	9 491	11 592	6 224	3 400	3 556
Other expenditure	31 857	32 929	35 874	37 316	39 034
Losses					
<b>Total Expenditure</b>	<b>184 438</b>	<b>184 879</b>	<b>197 832</b>	<b>205 594</b>	<b>214 658</b>

In view of the above table it can be noted that the total operating expenditure budget for 2020/2021 MTREF amounts to R197, 8million, which is almost R13million increase when compare to 2019/2020 adjusted budget. For the outer years the budget is estimated to be R205, 6million and R214, 7million respectively.



*The components of the operating budget can be explained as follows:*

***Employee related costs***

- Employee related costs is budgeted at R66, 2million for 2020/2021 financial year.
- During the 2019/2020 adjustment budget, the council had to remove some of the delayed budgeted posts to fund the then unforeseeable and unavoidable expenditure, such as demand increase in burial services and to fund the increase demand for disaster that affected the municipality during the December and January of 2019/2020 financial year.
- As a result, this increase of R7, 4million when compare to 2019/2020 adjustment budget is attributed to the returning of those budgeted posts into the budget and also the normal increment increase of 6.25 per cent as per SALGA agreement and 2.5 per cent for notch increases for those posts that are still not yet reached the sealing.
- It must also be noted that this figure is calculated based on the approved organograms and it for both filled and unfilled posts, it must also be noted that the municipality is not planning in adding more posts in the organograms instead should the need arose to add more posts, the restructuring of the existing organogram can be an option in order to ensure that the municipality is within the norm range for the budget that the municipality can spend on the employees which is between 25 and 40 percent of the total operating expenditure.
- However, it can be noted that currently the employees related cost and remuneration of councillors budget is sitting at 41,9 percent which is above by 1.9 percent when compare to norm range of between 25 and 40 percent of budget to be set aside for employees related cost and remuneration of councillors, the management of the municipality will engage on this matter during the financial year to reprioritise the existing posts that are current budgeted in order to ensure that those that can be removed are removed to ensure that the municipality is within the acceptable budget norm for employees related cost and remuneration of councillors.

***Remuneration of councillors***

- This line item is budgeted to be R16, 2million for 2020/2021 financial year.
- This budget is aligned to the consideration of determination of upper limits for councillors and office bearers as indicated on circular 99 of MFMA which state that

municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act.

#### ***Debt impairment***

- Debt impairment consist of the debt provision the municipality set aside to take care of the non-payments of the municipal accounts by consumers, although this expenditure is a non cash item, but it informs the total cost associated with rendering of services by the municipality as well as the municipality's realistically anticipated revenue.
- This is in compliance with the GRAP standards. The Bad debts provision has been calculated based on the collection trend of the municipality.
- The council to note that even though the history indicates that the average collection rate for the municipality is at 75%, the appointment of the services provider is anticipated to assist in increasing the collection rate to 80% which has been taken into account in determining this figure however should the situation not improve in the near future an adjustment will be made in ensuring that enough provision is in place to cover the actual required recognition by the end of the financial year.

#### ***Depreciation & asset impairment***

- Depreciation, asset impairment and amortisation budget for 2020/2021 financial year amounts to R22 ,0million. The budget figure is informed by the Fixed Asset policy taking into account the existing fixed assets register and new projects to be implemented in 2020/2021 financial year. Should the anticipated completion of the capital project change, this item will have to be revisited during the adjustment budget.

### ***Other materials***

- The municipality will in 2020/2021 financial year introduce the inventory module to control the material utilise by the municipality such as cleaning material and also to prepare the municipality to be in a better position when the need to expand the maintenance department become a necessity to control the material to be used for the maintenance.
- The municipality is not anticipating any unused material as at the end of the financial year hence no budget has been set aside for inventory as evidenced on A 6 of the budget table statements.
- The municipality has set aside R1 million for the introduction of this module in 2020/2021 financial year.

### ***Contracted services***

- This item is budgeted at R47, 7million for upcoming financial year. The increase in this expenditure category is as a result of new programme or projects that will be implemented during the 2020/2021 financial years such as the professional fees for compilation of the business plan for MIG projects to be implemented in the upcoming years as a well further split of the existing vote to be in line with mSCOA requirements.
- Circular 99 has indicated that the municipality should ensure that it align it budget increases with the inflation rate of 4.5 percent for 2020/2021 financial year, as a result this budget has been determined in line with circular 99 guidelines as well as the introduction of new programme and the further splitting of the existing votes as per mSCOA requirement.

### ***Transfers and subsidies***

- The 2019/2020 Transfers and subsidies budget will be amounts to R6, 2million. The impact of Covid 19 has result to some of the planned electrical projects to be delayed which has resulted for the rollover of the budget anticipated to be unspent by the of 2019/2020 financial year together with the new grant to be received from National Disaster grant to assist in dealing with the consequences of Covid 19 has resulted to

the estimated budget for this line item to move from R3.3 million in the draft budget to R6.2 million in the final budget, a decrease of R5, 4million when compared to 2019/2020 financial year and again this decrease is attributed to INEP grant the municipality will be receiving in 2020/2021 financial year hence no internal funding will be used to fund the new electrification projects in 2020/2021 financial other than those that will be funded by the INEP.

- It must also be noted that the municipality will continue with electrical projects for the area that still in need for such basic need however due financial contrast faced by the municipality this will be done using the Grant only until the whole municipality is covered with electricity connection but if the circumstances require the council to again utilise its own funding for electrical projects, the council will take the decision and the budget will be brought in.

#### ***Other expenditure***

- The proposed budget allocation for other expenditure is amounts to R35 ,9million for 2020/2021 financial year which is amount to 8.9 percent and circular 99 of the MFMA state that the budget increases for 2020/2021 financial must be in line with 4.5 percent of the inflation for 2020/2021 financial year.
- It must be noted that this figure can be seen as not in line with 4.5 percent inflation when compare with adjusted budget, however the council can be assured that on the existing programme the 4.5 percent was applied and the balance is as a result of the new programmes that will be introduced in the 2020/2021 financial year.

### 1.3.4 Capital expenditure of the MTREF

The Capital Budget focuses on the IDP objectives and Ndwedwe infrastructure needs. Asset Management best practice requires Council to allocate 40% of the capital budget to renew/maintaining of the existing assets. However since Ndwedwe Municipality is still growing/developing, all wards still require new infrastructure like roads, sport fields, community halls and creches. Hence only 6.2% budget that has been set aside for renewing the existing assets. As a result it is anticipated that in the few years to come the municipality will start to ensure that it sets aside enough budget to ensure that the already existing structure is renewed or maintained.

**Table 5: The following table provides a breakdown of budgeted capital expenditure by function for 2020/2021 financial year:**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b>Capital Expenditure - Functional</b>					
<b><i>Governance and administration</i></b>	<b>3 345</b>	<b>3 407</b>	<b>8 237</b>	<b>5 710</b>	<b>6 600</b>
Executive and council	150	125	950	160	220
Finance and administration	3 195	3 282	7 287	5 550	6 380
Internal audit					
<b><i>Community and public safety</i></b>	<b>1 750</b>	<b>1 385</b>	<b>3 100</b>	<b>200</b>	<b>250</b>
Community and social services	1 750	1 385	3 100	200	250
Sport and recreation	–	–	–	–	–
Public safety					
Housing					
Health					
<b><i>Economic and environmental services</i></b>	<b>60 439</b>	<b>59 005</b>	<b>73 985</b>	<b>38 888</b>	<b>42 608</b>
Planning and development	1 360	1 655	42 064	32 138	33 858
Road transport	59 079	57 350	31 921	6 750	8 750
Environmental protection					
<b>Total Capital Expenditure - Functional</b>	<b>65 534</b>	<b>63 796</b>	<b>85 322</b>	<b>44 798</b>	<b>49 458</b>

The above table indicates that Ndwedwe municipality has set aside a capital budget of R85, 3million for 2020/2021 financial year with most of the budget allocated to road infrastructure followed by the municipal offices phase two, plant, testing station and community halls to ensure that the municipality reduces the backlog in terms of such basic developments.

The component of the capital budget can be explained as follows:

**Table 6: Capital budget per function (Governance and Administration)**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<b>Capital Expenditure - Functional</b>					
<b>Governance and administration</b>	3 345	3 407	8 237	5 710	6 600
Executive and council	150	125	950	160	220
Finance and administration	3 195	3 282	7 287	5 550	6 380
Internal audit					

- Government and administration function have been allocated with a budget of R8 2million for 2020/2021 financial year, this has increase by R4, 8million when compare to 2019/2020 adjusted budgets.
- The R950 thousands allocated to Executive and Council is related to the R700 thousands for the purchase of the standby vehicle to be used by the political principal vehicles in case of the emergency in order to save on the hiring cost in case one of the principal is in need of the car.
- The remainder of the budget is allocated toward purchasing the new laptop and furniture for the office of the Municipal Manager.
- Finance and Administration have been allocated with a budget of R7,3 for the purchase of the municipal vehicle which amount to R4, 8million, the roll-over of the park home budget which amount to R1.2 million and the remainder to be directed toward laptop and furniture for municipal staff under this function.

**Table 7: Capital budget per function (Community and Public Safety)**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<b>Capital Expenditure - Functional</b>					
<b>Community and public safety</b>	1 750	1 385	3 100	200	250
Community and social services	1 750	1 385	3 100	200	250
Sport and recreation	–	–	–	–	–
Public safety					
Housing					
Health					

- Community and public safety have been allocated with a budget of R3, 1million for 2020/2021 financial. The outer years have been allocated with a budget of R200 thousands and R250 thousand respectively.
- The most contributing factor to this budget, is the budget relate to the Waste Management Truck with budget of R1,5 million set aside for this plant in order to straining the refuse removal unit.
- R800 thousands which will be used for the modification of vehicle into fire vehicle in order to prepare the municipality for any fire crisis.
- R500 thousands for telecentre refurbishment
- The reminder budget is related to the purchase of computer equipment and furniture and office equipment for existing staff as well as for the new staff to be recruited in 2020/2021 financial year.

**Table 8: Capital budget per function (Economic and environment Services)**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<b>Capital Expenditure - Functional</b>					
<b>Economic and environmental services</b>	60 439	59 005	73 985	38 888	42 608
Planning and development	1 360	1 655	42 064	32 138	33 858
Road transport	59 079	57 350	31 921	6 750	8 750
Environmental protection					

Economic and environmental services function is the services delivery function of the municipality and it have been allocated with a budget of R74, 0million which amount to 87 per cent of the total municipal capital budget.

Planning and development sub function have been allocated with a budget of R42, 1million for 2020/2021 financial year. This increase of R40, 4million when compare to 2019/2020 adjusted budget is attributed to the splitting of the Technical Department into different function which is in compliance with mSCOA. Most of the budget is directed toward road infrastructure, sport field and community halls and most of the projects under this function are funded by MIG with only 18.9 percent of the internal funding being allocated in this function mainly for the building of the municipal testing station.

Road Transport have been allocated with a budget of R31, 9million for 2020/2021 financial year. The larger portion of this budget will be utilised toward purchasing of the municipal plant which will assist in the maintenance of the municipal infrastructure which is currently done via the rented pant as well as for completion of the projects that were initial funded by MIG but due to the termination of a tender as a result of challenges encountered during the construction of those projects.

**TABLE 9: 2020/2021 capital budget funding sources**

Vote Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b>Funded by:</b>					
National Government	29 809	29 809	29 630	31 938	33 628
Provincial Government					
District Municipality					
<b>Transfers recognised - capital</b>	<b>29 809</b>	<b>29 809</b>	<b>29 630</b>	<b>31 938</b>	<b>33 628</b>
<b>Borrowing</b>					
<b>Internally generated funds</b>	<b>35 725</b>	<b>33 987</b>	<b>55 692</b>	<b>12 860</b>	<b>15 830</b>
<b>Total Capital Funding</b>	<b>65 534</b>	<b>63 796</b>	<b>85 322</b>	<b>44 798</b>	<b>49 458</b>

The above table illustrates the funding model of the capital project, where the larger portion of it will be funded from internal funding and the rest will be funded by the national grant i.e. MIG.



- **ANNUAL BUDGET TABLES**

In terms of the Municipal Budget and Reporting Regulations, the 10 primary budget tables, as attached, reflects the 2020/2021 budget and MTREF to be supported by Council.

<b>Budget Table</b>	<b>Synopsis of table</b>
Table A1	High level summary of the municipality's budget, including operating, capital, financial position, cash flow and MFMA funding compliance.
Table A2	Indicative of the budgeted financial performance with regards to revenue and expenditure per standard classification.
Table A3	Indicative of the budgeted financial performance with regards to revenue and expenditure and operating surplus or deficit per municipal vote.
Table A4	Indicative of the budgeted financial performance with regards to revenue by source and expenditure by type.
Table A5	Indicative of the municipality's capital projects in relation to the capital expenditure by municipal vote, capital expenditure by classification, and funding sources. Also included is information pertaining to capital transfers from National and Provincial government. NDW has adopted a multi-year capital budget appropriation.
Table A6	Indicative of the financial position of the municipality.
Table A7	Indicative of the cash and cash equivalent of the municipality over the draft MTREF.
Table A8	Indicative of the Cash Backed Reserves/ Accumulated Surplus. Represents an evaluation of the funding levels by forecasting cash and investments at year end and reconciling the available funding to the liabilities in existence. This is in line with MFMA legislation.
Table A9	Represents the municipal capital allocations to the funding of new assets and renewal of existing assets. This also includes spending on repairs and maintenance.
Table A10	Indicative of the service delivery levels, including backlogs, for each of the main services.

## **2.1 OVERVIEW OF ANNUAL BUDGET PROCESS**

### **2.1.1 Background**

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. To assist the prioritisation and spending plans of Council, the political component has a duty to oversee the budget process. In addition, chapter 2 of MBRR states that the mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of MFMA.

The municipal has a functional Budget Steering Committee (BSC) is in place. The BSC monitors financial planning and spending plans, and advises Council accordingly. The BSC also considers all budget-related policies before these are tabled to Council for approval.

Ndwedwe Municipality is required to follow a strict budget process that enables significant participation by the community and all stakeholders. This budget process is governed by the MSA and the MFMA.

The approved 2020/2021 MTREF will be submitted to Provincial and National Treasury immediately after being considered by the council as required by MFMA.

### **2.1.2 Political oversight**

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. To assist the prioritisation and spending plans of Council, the political component has a duty to oversee the budget process.

The municipal has a functional Budget Steering Committee in place. The BSC monitors financial planning and spending plans, and advises Council accordingly. The BSC also considers all budget-related policies before these are tabled to Council for approval.

### **2.1.3 Budget-related policies**

All budget-related policies were taken into account in developing the 2020/2021 MTREF:

### **2.1.4 Alignment with national & provincial priorities**

The MTREF is in line with National and Provincial objectives. The successful alignment of Ndwedwe municipality service delivery priorities, as captured in its IDP, with these objectives is critical in achieving its developmental goals. The MTREF is also formulated in

a manner that supports Ndwedwe municipality long-term sustainable growth and development.

*The following priorities are National Government's framework to enhance the social, cultural and economic welfare of all South Africans:*

- Protect the poor
- Build capacity for long-term growth
- Sustain employment growth
- Maintain sustainable debt level
- Address sector barriers to growth and investment

#### **2.1.5 Key deadlines**

The budget time schedule for compilation of the 2020/2021 MTREF was approved in August 2019, in compliance with the MFMA's requirements.

The budget timetable is necessary to ensure integration between the IDP and the MTREF. It also ensures a balanced budget is tabled to Council for consideration and approval.

#### **2.1.6 Importance of producing a balanced and credible MTREF**

A credible MTREF is one that is highly achievable, as it is in line with all agreed service delivery and performance targets. It contains revenue and expenditure projections that are consistent with current and past performance. These projections are also supported by documented evidence of future assumptions. Only activities that are consistent with the revised IDP are funded. This ensures that the IDP remains realistically achievable given Ndwedwe municipality financial constraints. A credible MTREF does not jeopardize financial viability, because it ensures that the financial position is maintained within generally accepted prudent limits and that obligations can be met. It also provides the Head of Department with appropriate levels of delegation sufficient to meet their financial management responsibilities.

It must also be stated that the implementation of mSCOA requires a direct link between the IDP and Budget and it is therefore vital that all stakeholders respect the various timeframes. The nature of the process results in subsequent delays should any one of the components be delayed.

### **2.1.7 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in March) a time schedule that sets out the process to revise the IDP and prepare the budget.

**August 2019** – Joint strategic planning session of the Financial Services Management team and the Budget Office. Aim: to assess Council's 2018/2019 Financial Statements and current year's (2019/2020) revised results and capacity, to determine the impact on future strategies and budgets;

**September 2019** – Issuing of the 2020/2021 Medium Term Revenue and Expenditure Framework (MTREF) guideline memorandum and budget policy document addressing various budget assumptions, internal budget processes, policies and requirements in terms of the Municipal Budgeting and Reporting Regulations etc.;

**24 January 2020** - Council considered the 2019/2020 Mid-year Assessment Review Report;  
**01 to 20 February 2020** – Provincial Treasury's 2019/2020 Mid-year Budget and Performance Assessment visit;

**28 February 2020** – Council considered the 2019/2020 Adjusted Budget;

**31 March 2020** - Tabling in Council of the Draft 2020/2021 IDP and 2020/2021 MTREF for public consultation;

**April 2020** – Public consultation;

**6 May 2020** - Closing date for written comments;

**7 to 18 May 2020** – finalisation of the 2020/2021 IDP and 2020/2021 MTREF, taking into consideration comments received from the public, comments, from National Treasury, and updated information from the most recent Division of Revenue Act and financial framework; and,

**30 May 2020** - Adopting of the 2020/2021 MTREF before Council for consideration and approval.

There have been no significant deviations from the key dates set out in the Budget Time Schedule adopted by Council as at to date. However, the Covid -19 has affect the planned budget process for 2020/2021 financial year as Consequently the municipality had to use media platforms together with ward committees in ensuring the successfully budget consultation.

### **2.1.8 IDP and Service Delivery and Budget Implementation Plan**

Integrated Development Planning (IDP) is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

Through the IDP, Government priorities are translated in our strategic framework and escalated to Strategic Goals, Strategic Objectives, Key Performance indicators, which are then further developed into programs and projects. This directly informs the municipal Service Delivery and Budget Implementation Plan. This fair alignment between IDP and Government priorities is confirmed through our budgeting, which takes into serious consideration the strategic objectives when budgeting.

With the compilation of the 2020/2021 MTREF, each department/function had to review the business plan process, including the setting of priorities and targets after reviewing the mid-year and second quarter performance against the 2019/2020 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.9 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2020/2021 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/2021 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2019/2020 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for service
- Improved and sustainable service delivery

### **2.1.10 Community Consultation**

The 2020/2021 MTREF has been communicated to the public in a different approach when compared to normal approach due to COVID 19 pandemic where the gathering of people were prohibited. The media platforms were used to speak to the community by the Mayor of the municipality where a written submission was requested, however no submission was received by the municipality as at the deadline set by the municipality which was the 1 May 2020. Hence municipality is assuming that the community were happy with what the municipality is planning to implement in 2020/2021 financial year.

### **2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The Integrated Development Plan (IDP) is a strategic document that clearly outlines the municipality's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning. It can also be described as the approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

The 2020/2021 MTREF is linked to the IDP as the review was an aligned process of the budget as per the budget timetable as approved by council in August 2019. This has translated to the plan of the municipality for the year, which is the service delivery and budget implementation plan.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The IDP drives the strategic development of the Municipality. The Municipality's budget is fully influenced by the strategic objectives identified in the IDP. The service delivery budget implementation plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The performance of the Municipality is tabled in its Annual report.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 which highlights the IDP's five strategic objectives for the 2020/2021 MTREF and further planning refinements that have directly informed the compilation of the budget:

## **2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

A municipality's Performance Management System is a mechanism to monitor, review and improve the implementation of its IDP and monitor progress made in achieving set goals as stipulated in the IDP. Effective service delivery relies on the IDP, effective utilisation of scarce resources and the PMS system.

The IDP is developed in conjunction with the community and a realistic budget and is reviewed annually. The IDP will consider, inter alia: -

- Existing conditions, problems and resources available for development
- Economic and social development needs of the community
- It sets a framework for land use, infrastructure and services.

The Service Delivery and Budget Implementation Plan is the tool used to align the budget to the IDP. The focus of the SDBIP is both Financial and non-financial measurable performance objectives in the form of service delivery targets.

The municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

An organisation scorecard is developed after taking into consideration the aspects as indicated/highlighted in the IDP and SDBIP. This scorecard will be used to monitor the performance of the Municipality.

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

The Ndwedwe municipalities budgeting process is guided and governed by relevant legislation, frameworks strategies and budget related policies.

### **2.4.1 Rates Policy**

The Rates Policy applies to all currently rated properties and also covers exemptions, rebates and reductions. This policy ensures that all new rates are tabled to Council for approval, before being implemented. The Rates Policy is in line with MPRA.

### **2.4.2 Credit Control & Debt Collection Policy**

The Credit Control & Debt Collection Policy, adopted by Council, focuses on all outstanding debt and aims to promote a culture of good payment habits amongst debtors. Debtors have a responsibility towards the payment of their accounts. This policy implements an appropriate, innovative system of debt collection, which is also cost-effective. The aim of this policy is to ensure that debt is collected in the shortest possible time, without any interference in the process, thereby reducing all municipal debt.

The Credit Control & Debt Collection Policy ensures a sensitive, transparent and equitable approach to debt recovery. It prescribes methods to effectively and efficiently deal with those who default on payments, whilst taking indigent consumers into consideration and keeping costs to a minimum.



### **2.4.3 Indigent Policy**

The objective of the Indigent Policy is to ensure the following: -

The provision of basic services to indigent households in a manner that is sustainable, within the financial and administrative capacity of the Council.

To provide procedures and guidelines for the subsidisation of basic service charges to its indigent households, using Council's budgetary provisions, according to prescribed guidelines.

### **2.4.4 Tariff Policy**

In terms of Section 74 of the Local Government Municipal Systems Act 2000, a municipal Council must adopt and implement a Tariff Policy. The Tariff Policy is the policy for levying fees; rates or taxes for the municipal services provided by Ndwedwe Municipality. Tariff calculations are based on the nature of the service provided and treat all users of municipal services equally, by ensuring that consumers pay in proportion to the amount of services consumed.

This policy covers the Tariff Determination Process and also the Classification and Pricing Strategies of Services. It highlights the fact that all proposed tariffs are presented to the community of Ndwedwe Municipality during the Council's consultation process in respect of the MTREF. The aims of this policy are:

- To promote local economic development' growth and competitiveness
- To cater for the indigent households whilst keeping rates affordable
- To ensure financial sustainability of service delivery

### **2.4.5 Cash Management & Investment Policy**

In terms of Section 13 (2) of the MFMA, a municipality must adopt a policy dealing with cash management and investments. The Investment & Cash Management Policy ensures that all investments are made in an effective and efficient manner and generate the best return for the municipality. This policy ensures that all investments made take into account the preservation and safety of the principal and appropriate liquidity.

### **2.4.7 Supply Chain Management Policy**

A municipality is required in terms of Section 111 of the MFMA to develop and implement a Supply Chain Management Policy. The comprehensive Supply Chain Management Policy

governs, inter alia, the procurement of goods and services; disposal of goods and selecting contractors to aid the Municipality in service delivery.

#### **2.4.8 Virement Policy**

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA. The municipality will introduce this policy for 2019/2020 financial year.

#### **2.4.9 Budget Policy**

The Budget Policy sets out the principles followed by municipality in drafting the MTREF. This policy covers the responsibilities of the Mayor; the MM; the CFO and other senior managers in preparing the MTREF. The operating and capital budget; budget funding; budget transfers; unavoidable expenditure and the budget preparation process are covered extensively.

#### **2.4.10 Funding & Reserve's Policy**

The Funding & Reserves Policy is aimed at ensuring that the municipality procures sufficient and cost-effective funding to achieve its capital expenditure objectives in an optimum manner. This policy must be adhered to in the procurement of funding, whilst considering the maturity profile of municipalities assets and liabilities.

This policy sets out the assumptions and methodology for estimating:

- Revenue;
- Revenue that will not be collected;
- Proceeds from the disposal of assets;
- Funds to be set aside in Reserves (excluding Reserves held in order to comply with GRAP Standards)

#### **2.4.11 Asset Management Policy**

The Fixed Asset Management Policy governs the acquisition, utilisation, control, maintenance and disposal of assets. This policy ensures that assets are managed in an economical, effective and efficient manner throughout their life cycles, to achieve the maximum level of service.

#### **2.4.12 Leave Management Policy**

The purpose of this policy is to regulate the taking of leave by employees of Ndwedwe Local Municipality, having regard to the relevant statutory provisions regarding leave and the relevant Collective Agreement insofar as it relates to leave.

#### **2.4.13 Disposal Policy**

The purpose of this policy is to provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets. This disposal system is subject to sections 14 and 90 of the Municipal Finance Management Act (56, 2003).

### **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

In the compilation of the 2020/2021 MTREF, the following influencing factors were taken into account:

Normal inflationary increases and economic pressures, especially

- Consumer Price Index inflations – impacting the general tariff increases levelled by the municipality.
- Higher unemployment rate –
- Global Economic status – thus hindering the consumer's ability to timeously settle debt. A conservative approach is used for projecting revenue.

Zero-based budgeting for 2020/2021

- Zero-based budgeting is defined as a process where every Business Unit function is reviewed comprehensively and each expenditure must be approved, rather than increased.
- It requires the budget request to be justified in complete detail by each Department rather than just increasing its expenditure from the previous year.

The budgeted figure includes the normal increase of 7% in terms of existing salary agreement for (filled and vacant posts) plus 2.5% in relation to notch for those employees still qualify for notch increases.

#### **2.5.1 Significant External Factors**

- Slow economic growth in our country
- High unemployment rates
- Significant fluctuations in gold, platinum and coal minerals

- Currency fluctuations
- GDP estimates for the duration of the 2020/2021 MTREF

## 2.5.2 Basis and Methodology for Forecasting Budget Projections

In terms of Chapter 4, Section 16, of the MFMA, the operational and capital budgets for the 2020/2021 financial year, and the two subsequent years, attached hereto have been prepared according to the Municipal Budget and Reporting Regulations as gazetted in Government Gazette No. 32141 published on 17 April 2009.

## **2.6 OVERVIEW OF BUDGET FUNDING**

Section 18 (1) of the MFMA states that the annual budget may only be funded from the following: -

- Realistically anticipated revenue to be collected
- Cash backed accumulated funds from previous years' surplus funds not committed for other purposes, and
- Borrowed funds, but only for the capital budgets

**Table 10: Below table indicates the total expenditure for Ndwedwe local municipality**

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Expenditure	184 438	184 879	197 832	205 594	214 658
Total Capital Expenditure	65 534	63 796	85 322	44 798	49 458
Grant Total Operational and Capital Expenditure	249 972	248 676	283 154	250 392	264 116

### 2.6.1 Funding sources

The funding model of the 2020/2021 MTREF is dependent on the following main revenue categories:

**Table 11: Funding sources**

<b>KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)</b>					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b>Revenue By Source</b>					
Property rates	17 566	17 566	18 989	19 862	20 776
Service charges - refuse revenue	–	–	100	105	109
Rental of facilities and equipment	600	555	605	633	662
Interest earned - external investments	11 000	10 600	11 000	11 506	12 035
Interest earned - outstanding debtors	800	800	800	837	875
Licences and permits	5	2	1	1	1
Transfers and subsidies	153 281	153 281	165 845	175 360	184 972
Other revenue	496	1 342	558	584	611
Gains	800	800			
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>184 548</b>	<b>184 946</b>	<b>197 898</b>	<b>208 887</b>	<b>220 042</b>

### 2.6.2 Tariff of charges

The Tariff of Charges is proposed to be implemented on 01 July 2020. This document provides for major services, and lists minor and miscellaneous tariffs – including the hiring of municipal facilities and town planning. An intensive and rigorous tariff setting process is undertaken to ensure the compilation of a credible and realistic budget.

### 2.6.3 Investments

Ndwedwe Municipality has funds held in bank deposits, including the depositing of grant funding into ring fenced call deposit accounts in order to improve management of grant funding.

The cash and investments of Ndwedwe municipality currently amount to R149, 9million as at 30 April 2020. It should be noted that most of these funds are committed as conditional grants or operating funds.

### 2.6.4 Government grant allocations

#### National and Provincial Allocations:

The amended DORA allocations that will be granted to Ndwedwe Municipality consist of:

**Table 12: National and Provincial Allocations:**

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b><u>Operating Transfers and Grants</u></b>					
<b>National Government:</b>	<b>151 567</b>	<b>151 567</b>	<b>163 529</b>	<b>172 950</b>	<b>182 968</b>
Local Government Equitable Share	147 784	147 784	158 224	169 850	179 768
Finance Management	2 435	2 435	2 800	3 100	3 200
EPWP Incentive	1 348	1 348	1 760		
Municipal Disaster Relief Grant			745		
<b>Provincial Government:</b>	<b>1 714</b>	<b>1 714</b>	<b>2 316</b>	<b>2 410</b>	<b>2 004</b>
Provincialisation of libraries	880	880	905	935	981
Schemes Support Programme			500		
Ward Based Plan				500	
Community Library Services Grant	834	834	911	975	1 023
<b><u>Capital Transfers and Grants</u></b>					
<b>National Government:</b>	<b>29 809</b>	<b>29 809</b>	<b>39 630</b>	<b>41 938</b>	<b>44 628</b>
Municipal Infrastructure Grant (MIG)	29 809	29 809	29 630	31 938	33 628
Integrated National Electrification Programme			10 000	10 000	11 000
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>183 090</b>	<b>183 090</b>	<b>205 475</b>	<b>217 298</b>	<b>229 600</b>

All of the above allocations, excluding Equitable Share, are conditional grants. This means that they have been allocated to Ndwedwe Municipality for a specific purpose and may not be used to fund any other expenditure.

Once all conditions are met, these allocations are transferred to the Statement of Financial Performance in order to match the expenditure incurred.

This is in compliance with the relevant GRAP standards. The transfers indicated on the Statement of Financial Performance are, therefore, accounting entries and do not actually represent cash on hand.

## **2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

Grant funding and expenditure is covered in detail in Supporting Tables SA18, SA19 and SA20. However, can be summarized as follows:

**Table 13: expenditure on allocations and grant programmes**

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b><u>Operating Transfers and Grants</u></b>					
<b>National Government:</b>	<b>151 567</b>	<b>151 567</b>	<b>163 529</b>	<b>172 950</b>	<b>182 968</b>
Local Government Equitable Share	147 784	147 784	158 224	169 850	179 768
Finance Management	2 435	2 435	2 800	3 100	3 200
EPWP Incentive	1 348	1 348	1 760		
Municipal Disaster Relief Grant			745		
<b>Provincial Government:</b>	<b>1 714</b>	<b>1 714</b>	<b>2 316</b>	<b>2 410</b>	<b>2 004</b>
Provincialisation of libraries	880	880	905	935	981
Schemes Support Programme			500		
Ward Based Plan				500	
Community Library Services Grant	834	834	911	975	1 023
<b><u>Capital Transfers and Grants</u></b>					
<b>National Government:</b>	<b>29 809</b>	<b>29 809</b>	<b>39 630</b>	<b>41 938</b>	<b>44 628</b>
Municipal Infrastructure Grant (MIG)	29 809	29 809	29 630	31 938	33 628
Intergrated National Electrification Programme			10 000	10 000	11 000
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>183 090</b>	<b>183 090</b>	<b>205 475</b>	<b>217 298</b>	<b>229 600</b>

## **2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY**

The budget related to funds made by the municipality amounts to R6, 2million which can be explain as follows;

- R650 thousands for external studies assistance for those learners in need of the financial assistance as per municipal study assistance.
- R650 thousands for free basic services (electricity)
- R950 thousands related to indigent burial assistance,
- R1, 6million related to "Disaster Management (Emergency Relief), and
- R2, 3million for internal funded electrical projects



## **2.9 COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS**

The budget allocation for employee related cost for municipal staff including councillors amounts to R82, 4million for 2020/2021 MTREF. This amount includes posts as per the current staff establishment as well as 6.25% of salary increment as indicated under executive summary (Employee Related Cost) above and 2.5 per cent applicable to the notch increase for those employees that still within their notches. Below are the supporting tables that indicates how the salaries and allowances are allocated.

**Table 14: Councillor and board member allowances and employee benefits**

KZN293 Ndwedwe - Supporting Table SA22 Summary councillor and staff benefits									
Summary of Employee and Councillor remuneration	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	8 592	13 383	11 324	11 950	11 950	11 950	12 667	13 250	13 860
Pension and UIF Contributions	398	1 015	617	1 040	1 040	1 040	1 102	1 153	1 206
Medical Aid Contributions	123	421	290	442	442	442	468	490	512
Motor Vehicle Allowance	142	127	128	137	137	137	145	152	159
Cellphone Allowance	792	1 632	1 510	1 623	1 623	1 623	1 721	1 800	1 883
Housing Allowances				-	-	-			
Other benefits and allowances	1 639	2 397	1 286	135	135	135	143	149	156
<b>Sub Total - Councillors</b>	<b>11 686</b>	<b>18 976</b>	<b>15 154</b>	<b>15 327</b>	<b>15 327</b>	<b>15 327</b>	<b>16 247</b>	<b>16 994</b>	<b>17 776</b>
% increase		62.4%	(20.1%)	1.1%	-	-	6.0%	4.6%	4.6%
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	1 561	2 706	2 955	3 718	3 141	3 141	3 686	3 860	4 050
Pension and UIF Contributions	38	91	9	37	11	11	11	11	12
Medical Aid Contributions			102	135	143	143			
Overtime				-	-	-			
Performance Bonus	29			-	-	-	650	680	711
Motor Vehicle Allowance	477	875	1 017	1 245	1 068	1 068	1 215	1 271	1 329
Cellphone Allowance				-	-	-			
Housing Allowances				-	-	-			
Other benefits and allowances		8		650	450	450			
Payments in lieu of leave		425	22	-					
Long service awards									
Post-retirement benefit obligations									
<b>Sub Total - Senior Managers of Municipality</b>	<b>2 106</b>	<b>4 104</b>	<b>4 106</b>	<b>5 786</b>	<b>4 814</b>	<b>4 814</b>	<b>5 562</b>	<b>5 822</b>	<b>6 102</b>
% increase		94.9%	0.0%	40.9%	(16.8%)	-	15.5%	4.7%	4.8%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	21 972	20 786	31 783	40 390	37 244	37 244	43 668	45 712	47 896
Pension and UIF Contributions	3 140	4 193	5 069	6 183	6 493	6 493	7 301	7 642	8 007
Medical Aid Contributions	1 571	1 748	2 006	2 264	2 835	2 835	2 838	2 971	3 114
Overtime	908	1 215	652	660	733	733	495	518	544
Performance Bonus	(29)	2 007		-	-	-			
Motor Vehicle Allowance	777	568	1 253	1 541	1 695	1 695	1 722	1 803	1 891
Cellphone Allowance				-	-	-			
Housing Allowances	187	202	182	215	240	240	240	251	263
Other benefits and allowances	1 615	997	3 372	4 310	3 227	3 227	3 396	3 555	3 726
Payments in lieu of leave		(425)		315	1 034	1 034	540	565	592
Long service awards	260	13		-	-	-			
Post-retirement benefit obligations				440	525	525	440	460	482
<b>Sub Total - Other Municipal Staff</b>	<b>30 401</b>	<b>31 303</b>	<b>44 318</b>	<b>56 319</b>	<b>54 026</b>	<b>54 026</b>	<b>60 641</b>	<b>63 479</b>	<b>66 516</b>
% increase		3.0%	41.6%	27.1%	(4.1%)	-	12.2%	4.7%	4.8%
<b>Total Parent Municipality</b>	<b>44 193</b>	<b>54 383</b>	<b>63 578</b>	<b>77 432</b>	<b>74 167</b>	<b>74 167</b>	<b>82 449</b>	<b>86 295</b>	<b>90 393</b>
		23.1%	16.9%	21.8%	(4.2%)	-	11.2%	4.7%	4.7%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>44 193</b>	<b>54 383</b>	<b>63 578</b>	<b>77 432</b>	<b>74 167</b>	<b>74 167</b>	<b>82 449</b>	<b>86 295</b>	<b>90 393</b>
% increase		23.1%	16.9%	21.8%	(4.2%)	-	11.2%	4.7%	4.7%
<b>TOTAL MANAGERS AND STAFF</b>	<b>32 507</b>	<b>35 407</b>	<b>48 423</b>	<b>62 105</b>	<b>58 840</b>	<b>58 840</b>	<b>66 202</b>	<b>69 301</b>	<b>72 617</b>

**Table 15: Councillor and Senior Managers benefits**

KZN293 Ndwedwe - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)						
Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
<b><u>Councillors</u></b>						
Speaker	679 321	51 741	54 782			785 844
Chief Whip						–
Executive Mayor	906 205	39 855	46 275			992 335
Deputy Executive Mayor	637 763	129 787	46 275			813 825
Executive Committee	2 835 500	340 260	185 101			3 360 861
Total for all other councillors	7 608 563	1 297 020	1 388 261			10 293 844
<b>Total Councillors</b>	<b>12 667 351</b>	<b>1 858 663</b>	<b>1 720 695</b>			<b>16 246 710</b>
<b><u>Senior Managers of the Municipality</u></b>						
Municipal Manager (MM)	742 388	1 785	237 945	150 000		1 132 117
Chief Finance Officer	609 539	1 785	195 360	100 000		906 683
Director Technocal Services	577 830	55 693	195 365	100 000		928 888
Director EDP	587 884	22 607	195 365	100 000		905 856
Director Community Services	609 539	21 785	195 360	100 000		926 683
Director Corporate Services	558 965	50 413	195 365	100 000		904 743
<b>Total Senior Managers of the Municipality</b>	<b>3 686 143</b>	<b>154 067</b>	<b>1 214 760</b>	<b>650 000</b>		<b>5 704 971</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>16 353 495</b>	<b>2 012 731</b>	<b>2 935 455</b>	<b>650 000</b>		<b>21 951 680</b>

## 2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

**Table 16: Monthly targets for revenue, expenditure**

KZN293 Ndwedwe - Supporting Table SA25 Budgeted monthly revenue and expenditure															
Description	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>															
Property rates	15 798	290	290	290	290	290	290	290	290	290	290	290	18 989	19 862	20 776
Service charges - refuse revenue	8	8	8	8	8	8	8	8	8	8	8	8	100	105	109
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50	605	633	662
Interest earned - external investments	917	917	917	917	917	917	917	917	917	917	917	917	11 000	11 506	12 035
Interest earned - outstanding debtors	67	67	67	67	67	67	67	67	67	67	67	67	800	837	875
Licences and permits	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Agency services												-	-	-	-
Transfers and subsidies	69 218	206	206	206	206	48 019	206	206	45 515	206	206	1 450	165 845	175 360	184 972
Other revenue	47	47	47	47	47	47	47	47	47	47	47	47	558	584	611
<b>Total Revenue (excluding capital transfers and grants)</b>	<b>86 105</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>49 397</b>	<b>1 584</b>	<b>1 584</b>	<b>46 893</b>	<b>1 584</b>	<b>1 584</b>	<b>2 828</b>	<b>197 898</b>	<b>208 887</b>	<b>220 042</b>
<b>Expenditure By Type</b>															
Employee related costs	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	66 202	69 301	72 617
Remuneration of councillors	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	16 247	16 994	17 776
Debt impairment	265	170	232	187	172	260	144	142	230	129	251	318	2 500	2 615	2 735
Depreciation & asset impairment	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	22 000	22 880	23 870
Other materials	110	71	96	78	72	108	60	59	96	54	104	132	1 040	1 088	1 138
Contracted services	5 052	3 253	4 423	3 563	3 292	4 972	2 754	2 705	4 391	2 470	4 794	6 076	47 744	52 001	53 932
Transfers and subsidies	659	424	577	464	429	648	359	353	572	322	625	792	6 224	3 400	3 556
Other expenditure	3 796	2 444	3 323	2 677	2 474	3 736	2 069	2 032	3 300	1 856	3 602	4 565	35 874	37 316	39 034
<b>Total Expenditure</b>	<b>18 586</b>	<b>15 066</b>	<b>17 355</b>	<b>15 673</b>	<b>15 143</b>	<b>18 428</b>	<b>14 090</b>	<b>13 994</b>	<b>17 293</b>	<b>13 535</b>	<b>18 081</b>	<b>20 588</b>	<b>197 832</b>	<b>205 594</b>	<b>214 658</b>
<b>Surplus/(Deficit)</b>	<b>67 519</b>	<b>(13 481)</b>	<b>(15 770)</b>	<b>(14 089)</b>	<b>(13 559)</b>	<b>30 969</b>	<b>(12 506)</b>	<b>(12 410)</b>	<b>29 600</b>	<b>(11 951)</b>	<b>(16 496)</b>	<b>(17 760)</b>	<b>66</b>	<b>3 293</b>	<b>5 383</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 469	2 469	2 469	2 469	2 469	2 469	2 469	2 469	2 469	2 469	2 469	2 469	29 630	31 938	33 628
<b>Surplus/(Deficit)</b>	<b>69 988</b>	<b>(11 012)</b>	<b>(13 301)</b>	<b>(11 619)</b>	<b>(11 090)</b>	<b>33 438</b>	<b>(10 037)</b>	<b>(9 941)</b>	<b>32 069</b>	<b>(9 481)</b>	<b>(14 027)</b>	<b>(15 290)</b>	<b>29 696</b>	<b>35 231</b>	<b>39 011</b>

**Table 17: Budget monthly capital expenditure by municipal vote**

KZN293 Ndwedwe - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)															
Description	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Single-year expenditure to be appropriated</u>															
Vote 1 - Budget and Treasury Office	-	75	75	-	-	25	50	-	-	25	-	-	250	250	180
Vote 2 - Municipal Managers Office	-	50	80	-	50	-	-	70	-	-	-	-	250	160	220
Vote 3 - Community and Social Services	-	30	40	300	2 340	350	-	40	-	-	-	-	3 100	200	250
Vote 4 - Corporate Services	-	75	300	170	5 122	25	1 050	50	150	-	95	-	7 037	5 300	6 200
Vote 5 - Economic Development and Planning	-	100	-	50	-	-	50	-	50	-	-	-	250	200	230
Vote 6 - Technical Services	1 842	8 565	6 885	11 204	11 837	7 757	12 081	6 733	1 130	3 000	700	2 000	73 735	38 688	42 378
Vote 7 - Council General				700								-	700	-	-
Capital single-year expenditure sub-total	1 842	8 895	7 380	12 424	19 349	8 157	13 231	6 893	1 330	3 025	795	2 000	85 322	44 798	49 458
Total Capital Expenditure	1 842	8 895	7 380	12 424	19 349	8 157	13 231	6 893	1 330	3 025	795	2 000	85 322	44 798	49 458

**Table 18: Budget monthly capital expenditure by functional classification**

KZN293 Ndwedwe - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)															
Description	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Capital Expenditure - Functional</u>															
<b>Governance and administration</b>	-	200	455	870	5 172	50	1 100	120	150	25	95	-	8 237	5 710	6 600
Executive and council	-	50	80	700	50	-	-	70	-	-	-	-	950	160	220
Finance and administration	-	150	375	170	5 122	50	1 100	50	150	25	95	-	7 287	5 550	6 380
Internal audit												-	-	-	-
<b>Community and public safety</b>	-	30	40	300	2 340	350	-	40	-	-	-	-	3 100	200	250
Community and social services	-	30	40	300	2 340	350	-	40	-	-	-	-	3 100	200	250
Sport and recreation												-	-	-	-
<b>Economic and environmental services</b>	1 842	8 665	6 885	11 254	11 837	7 757	12 131	6 733	1 180	3 000	700	2 000	73 985	38 888	42 608
Planning and development	962	8 180	4 305	10 084	4 431	6 707	5 131	6 708	965	3 000	-	2 000	52 474	32 138	33 858
Road transport	880	485	2 580	1 170	7 406	1 050	7 000	25	215	-	700	0	21 511	6 750	8 750
Environmental protection												-	-	-	-
Total Capital Expenditure - Functional	1 842	8 895	7 380	12 424	19 349	8 157	13 231	6 893	1 330	3 025	795	2 000	85 322	44 798	49 458
<b>Funded by:</b>															
National Government	962	4 760	4 305	2 876	3 489	6 707	1 407	4 208	915	-	-	-	29 630	31 938	33 628
Provincial Government												-	-	-	-
District Municipality												-	-	-	-
Transfers recognised - capital	962	4 760	4 305	2 876	3 489	6 707	1 407	4 208	915	-	-	-	29 630	31 938	33 628
Borrowing												-	-	-	-
Internally generated funds	880	4 135	3 075	9 548	15 860	1 450	11 824	2 685	415	3 025	795	2 000	55 692	12 860	15 830
Total Capital Funding	1 842	8 895	7 380	12 424	19 349	8 157	13 231	6 893	1 330	3 025	795	2 000	85 322	44 798	49 458

**Table 19: Budget monthly cash flow**

KZN293 Ndwedwe - Supporting Table SA30 Budgeted monthly cash flow															
MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Cash Receipts By Source</b>													1		
Property rates	158	158	158	13 456	158	158	158	158	158	158	158	158	15 191	15 890	16 621
Service charges - refuse revenue	7	7	7	7	7	7	7	7	7	7	7	7	80	84	88
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50	605	633	662
Interest earned - external investments	917	917	917	917	917	917	917	917	917	917	917	917	11 000	11 506	12 035
Transfers and Subsidies - Operational	69 218		1 850			48 019			45 515			1 244	165 845	174 881	182 968
Other revenue	47	47	47	47	47	47	47	47	47	47	47	47	558	584	611
<b>Cash Receipts by Source</b>	<b>70 396</b>	<b>1 178</b>	<b>3 028</b>	<b>14 476</b>	<b>1 178</b>	<b>49 197</b>	<b>1 178</b>	<b>1 178</b>	<b>46 693</b>	<b>1 178</b>	<b>1 178</b>	<b>2 422</b>	<b>193 279</b>	<b>203 577</b>	<b>212 984</b>
<b>Other Cash Flows by Source</b>															
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	11 923					10 000			7 707			-	29 630	31 938	33 628
Increase (decrease) in consumer deposits												-		3 000	3 500
<b>Total Cash Receipts by Source</b>	<b>82 319</b>	<b>1 178</b>	<b>3 028</b>	<b>14 476</b>	<b>1 178</b>	<b>59 197</b>	<b>1 178</b>	<b>1 178</b>	<b>54 400</b>	<b>1 178</b>	<b>1 178</b>	<b>2 422</b>	<b>222 909</b>	<b>238 515</b>	<b>250 112</b>
<b>Cash Payments by Type</b>															
Employee related costs	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	5 517	66 202	69 301	72 617
Remuneration of councillors	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	1 354	16 247	16 994	17 776
Other materials	110	71	96	78	72	108	60	59	96	54	104	132	1 040	1 088	1 138
Contracted services	5 052	3 253	4 423	3 563	3 292	4 972	2 754	2 705	4 391	2 470	4 794	6 076	47 744	51 396	53 823
Transfers and grants - other	659	424	577	464	429	648	359	353	572	322	625	792	6 224	3 400	3 556
Other expenditure	3 796	2 444	3 323	2 677	2 474	3 736	2 069	2 032	3 300	1 856	3 602	4 565	35 874	37 420	39 143
<b>Cash Payments by Type</b>	<b>16 488</b>	<b>13 062</b>	<b>15 290</b>	<b>13 653</b>	<b>13 137</b>	<b>16 335</b>	<b>12 113</b>	<b>12 019</b>	<b>15 230</b>	<b>11 572</b>	<b>15 996</b>	<b>18 436</b>	<b>173 331</b>	<b>179 599</b>	<b>188 053</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	1 842	8 895	7 380	12 424	19 349	8 157	13 231	6 893	1 330	3 025	795	2 000	85 322	44 798	49 458
Repayment of borrowing												-			
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>18 330</b>	<b>21 957</b>	<b>22 670</b>	<b>26 077</b>	<b>32 487</b>	<b>24 492</b>	<b>25 344</b>	<b>18 912</b>	<b>16 560</b>	<b>14 597</b>	<b>16 791</b>	<b>20 436</b>	<b>258 653</b>	<b>224 397</b>	<b>237 511</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>63 990</b>	<b>(20 779)</b>	<b>(19 642)</b>	<b>(11 601)</b>	<b>(31 308)</b>	<b>34 705</b>	<b>(24 166)</b>	<b>(17 734)</b>	<b>37 840</b>	<b>(13 419)</b>	<b>(15 613)</b>	<b>(18 014)</b>	<b>(35 744)</b>	<b>14 118</b>	<b>12 601</b>
Cash/cash equivalents at the month/year begin:	81 296	145 285	124 506	104 864	93 262	61 954	96 658	72 493	54 758	92 598	79 179	63 565	81 296	45 552	59 670
Cash/cash equivalents at the month/year end:	145 285	124 506	104 864	93 262	61 954	96 658	72 493	54 758	92 598	79 179	63 565	45 552	45 552	59 670	72 271

## **2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

Ndwedwe Municipality does not have the contracts that are awarded beyond the medium-term revenue and expenditure framework (three years)..

## 2.12 CAPITAL EXPENDITURE DETAILS

**Table 20: The following table present details of the municipality capital expenditure programme per asset class:**

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>					
<b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b>					
<b><u>Infrastructure</u></b>	<b>21 000</b>	<b>21 215</b>	<b>30 323</b>	<b>24 924</b>	<b>28 558</b>
Roads Infrastructure	19 400	20 515	27 923	24 924	28 558
Roads	19 400	20 515	27 923	12 682	15 668
Road Structures			–	12 242	12 890
Electrical Infrastructure	–	500	2 000	–	–
Capital Spares		500	2 000	–	–
Water Supply Infrastructure	200	200	400	–	–
Boreholes	200	200	400	–	–
Solid Waste Infrastructure	1 400	–	–	–	–
Waste Separation Facilities	1 400				
<b><u>Community Assets</u></b>	<b>24 809</b>	<b>20 922</b>	<b>19 171</b>	<b>13 514</b>	<b>13 570</b>
Community Facilities	15 909	10 622	13 048	13 514	13 570
Halls	7 909	6 622	6 048	13 514	13 570
Testing Stations	8 000	4 000	7 000	–	–
Markets					
Sport and Recreation Facilities	8 900	10 300	6 123	–	–
Outdoor Facilities	8 900	10 300	6 123		
<b><u>Other assets</u></b>	<b>5 600</b>	<b>7 548</b>	<b>11 500</b>	<b>–</b>	<b>–</b>
Operational Buildings	5 600	7 548	11 200	–	–
Municipal Offices	5 600	7 548	10 900	–	–
Workshops			300	–	–
Capital Spares					
Housing	–	–	300	–	–
Capital Spares			300		
<b><u>Intangible Assets</u></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Computer Software and Applications					
<b><u>Computer Equipment</u></b>	<b>505</b>	<b>545</b>	<b>620</b>	<b>730</b>	<b>750</b>
Computer Equipment	505	545	620	730	750
<b><u>Furniture and Office Equipment</u></b>	<b>1 120</b>	<b>1 582</b>	<b>1 250</b>	<b>630</b>	<b>580</b>
Furniture and Office Equipment	1 120	1 582	1 250	630	580
<b><u>Machinery and Equipment</u></b>	<b>6 550</b>	<b>6 553</b>	<b>16 171</b>	<b>–</b>	<b>–</b>
Machinery and Equipment	6 550	6 553	16 171	–	–
<b><u>Transport Assets</u></b>	<b>4 950</b>	<b>3 732</b>	<b>6 287</b>	<b>5 000</b>	<b>6 000</b>
Transport Assets	4 950	3 732	6 287	5 000	6 000
<b>Total Capital Expenditure on new assets</b>	<b>64 534</b>	<b>62 096</b>	<b>85 322</b>	<b>44 798</b>	<b>49 458</b>



## **2.13 LEGISLATION COMPLIANCE STATUS**

Ndwedwe Municipality Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **IDP**

The 2019/2020 IDP review process has been finalised. All comments made by the community and key stakeholders have been considered in reviewing the IDP.

### **In-year reporting**

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

### **Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

### **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **Audit Committee**

An Audit Committee has been established and is fully functional.

### **Service Delivery and Implementation Plan**

The detail SDBIP document will be finalized after approval of the 2020/2021 MTREF in May 2020 to be directly aligned and informed by the approved 2020/2021 MTREF.

### **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **MFMA Training**

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.



## **2.14 OTHER SUPPORTING DOCUMENTS**



### **2.14.1 Detailed Capital Expenditure Per Municipal Department**



#### **2.14.2 Detailed Operational Expenditure Per Municipal Department**



### **2.14.3 Final Service Level Standards**



#### **2.14.4 Approved Tariffs of Charges**



#### **2.14.5 Budget related Policies**



#### **2.14.6 Draft Budget Provincial Assessment Feedback**





#### **2.14.7 Budget Statement Tables**

## 2.15 MUNICIPAL MANAGERS QUALITY CERTIFICATION



## MUNICIPAL MANAGERS QUALITY CERTIFICATION



### **2020/2021 APPROVED ANNUAL BUDGET QUALITY CERTIFICATE**

I, **MF, Hadebe** the Municipal Manager of Ndwedwe local Municipality, hereby certify that the 2020/2021 approved Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act No. 56 of 2003 and the regulations made under the Act.

MF Hadebe

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The Municipal Manager of Ndwedwe Municipality (KZN 293)

Signature .....

Date .....